



Sales Tax and Food Tax Rate Reduction

A guide for Kansas farmers markets



How are sales tax revenues used?

- Local schools
- Roads
- Public health
- City and County services
 - Police & Fire
 - Snow removal
 - Parks and recreation
 - Fairs
 - Other local projects





To what does sales tax apply?

- Retail sales of tangible personal property
- Rental or lease of tangible personal property
- Admissions
 - Amusement
 - Entertainment
 - Recreation services
- Entry Fees (Participation)
- Prepared Food Items



Who must collect and remit sales tax?

- Almost every vendor must collect and remit sales tax on items sold in Kansas.
 - That includes most not-for-profit entities including:
 - Churches
 - Civic organizations
 - Youth sports
 - Booster clubs
 - High school groups
 - Advocacy groups
 - Government entities





Most common questions KDOR hears from new businesses

- I registered my business, now what do I need to do?
- What is taxable ?
- How do I find the correct sales tax rate and jurisdictions?
- How do I know when a tax rate changes?
- I'm selling on Amazon, who reports and pays the sales tax?



Overview of Kansas Sales Tax on Food

For Kansas state sales tax purposes, food products are separated into two categories:

- 1) Food and food ingredients
The reduced state sales tax applies
- 2) Prepared food
Continues to be taxed at the full 6.5% state sales tax rate

The rate of local sales taxes imposed by cities and counties is not affected.

If you sell qualified foods subject to the state rate reduction refer to Publication KS-1700 for the change to the rate affecting food.

Reduction to State Sales Tax on Food

HB 2106 Sec 1

State Sales Tax Rate
on Food & Food
Ingredients
6.5%

State Sales Tax Rate
on Food & Food
Ingredients
4%

State Sales Tax Rate
on Food & Food
Ingredients
2%

State Sales Tax Rate
on Food & Food
Ingredients
0%

2022

2023

2024

2025

**Only the state sales tax rate is reduced,
the local sales tax rate(s) will still be applicable.**



Rate Reduction Timeline

- January 1, 2023 House Bill 2106, the state sales and use tax rate on food and food ingredients, and certain prepared food, will be reduced from 6.5% to 4.0%.
- Starting on January 1 2025, the state sales tax rate will be reduced to 0.0%.
- It is important to note: the sales tax on food and food ingredients, and certain prepared food, is not being repealed. Instead, the state sales tax rate is being reduced, over time, to zero.
- The reduction in the sales tax rate on food and food ingredients, and certain prepared food, only applies to the state tax rate. All local and use tax still apply.



Categories

- Food and food ingredients
 - Taxed at reduced rate of state sales tax **4%**
- Prepared Food
 - Taxed at full state and local sales tax rates **6.5%**
- Non-food
 - Taxed at full state and local sales tax rates **6.5%**



The rate of state sales tax to be collected on the sale of a food product is based on whether the food product is a food and food ingredient or prepared food and is determined item-by-item

Food and Food Ingredients

- “Most” Grocery store food items
- Foods packaged by a manufacturer
- Fresh, raw food that may be purchased from a bulk vendor or from a local seller

K.S.A 79-3602 provides the definition for what is food and food ingredients

Prepared Foods

- Food sold in a heated state or heated by the seller
- Food items that are a result of mixing or combining two or more for ingredients and selling the mixture as a single item
- Food sold with eating utensils provided by the seller

FOOD AND FOOD INGREDIENTS DEFINITION

Lower State
Sales Tax
Rate
4%, 2%, 0%

"Food and Food Ingredients" are substances purchased for human consumption and consumed for their taste or nutritional value ...

"FOOD AND FOOD INGREDIENTS" K.S.A. 79-3602(n)

K.S.A. 79-3602 (n) "Food and food ingredients" means substances, whether in liquid, concentrated, solid, frozen, dried or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. "Food and food ingredients" includes bottled water, candy, dietary supplements, food sold through vending machines and soft drinks. "Food and food ingredients" does not include alcoholic beverages or tobacco.

FOOD AND FOOD INGREDIENTS CAN BE...

"FOOD AND FOOD INGREDIENTS"

K.S.A. 79-3602(n)

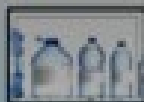
K.S.A. 79-3602 (n) "Food and food ingredients" means substances, whether in liquid, concentrated, solid, frozen, dried or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. "Food and food ingredients" includes bottled water, candy, dietary supplements, food sold through vending machines and soft drinks. "Food and food ingredients" does not include alcoholic beverages or tobacco.

Liquid

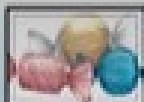
Frozen

Concentrated

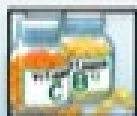
Dried or dehydrated form



bottled water



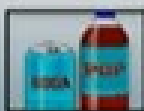
candy



dietary supplements



**food sold through
vending machines**



soft drinks (bottles & cans)

***** Not Fountain Drinks *****

FOOD AND FOOD INGREDIENTS INCLUDE...

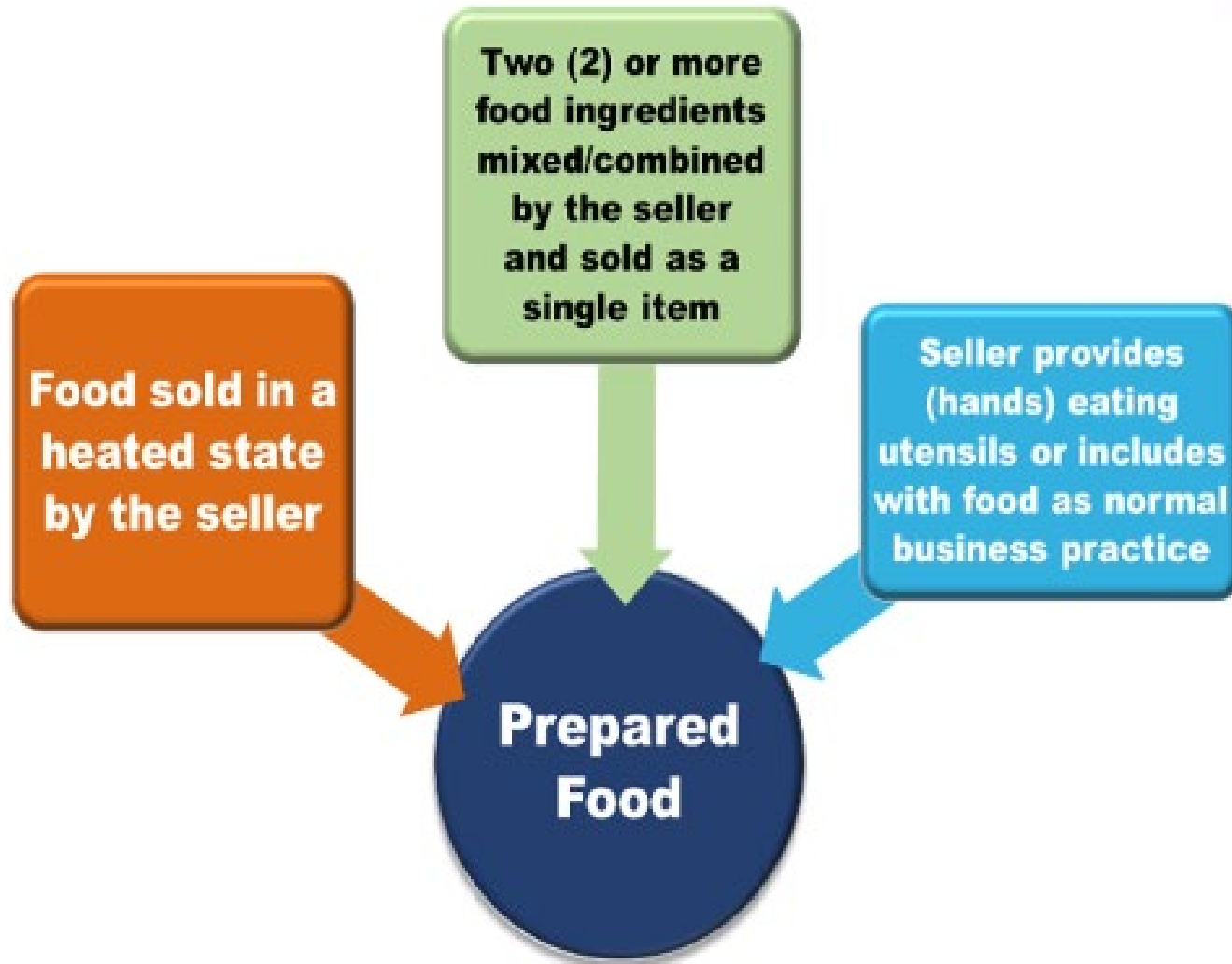
"FOOD AND FOOD INGREDIENTS"

K.S.A. 79-3602(a)

K.S.A. 79-3602 (a) "Food and food ingredients" means substances, whether in liquid, concentrated, solid, frozen, dried or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. "Food and food ingredients" includes bottled water, candy, dietary supplements, food sold through vending machines and soft drinks. "Food and food ingredients" does not include alcoholic beverages or tobacco.

WHAT IS PREPARED FOOD?

HB 2106 Sec 1 Effective January 1, 2023




PREPARED FOOD

K.S.A. 79-3602(ooo)

K.S.A. 79-3602 (ooo) (1) "Prepared food" means:

- (A) Food sold in a heated state or heated by the seller; or
- (B) two or more food ingredients mixed or combined by the seller for sale as a single item; or
- (C) food sold with eating utensils provided by the seller, including, but not limited to, plates, knives, forks, spoons, glasses, cups, napkins or straws. A plate does not include a container or packaging used to transport the food.



1) Food that is only cut, repackaged, or pasteurized by a seller;

2) Eggs, fish, meat poultry, or foods containing these raw animal foods that require cooking by the consumer as recommend by the FDA so to prevent food borne illnesses.

PREPARED FOOD
DOES **NOT**
INCLUDE...

PREPARED FOOD EXCEPTIONS



SOME PREPARED FOODS MAY
QUALIFY FOR THE REDUCTION
OF THE STATE SALES TAX **IF** –

SOLD WITHOUT EATING
UTENSILS PROVIDED BY THE
SELLER **AND...**

One of the
following ...

2.



Direct sale by a
manufacturer in Sector 311

- Except subsector 3118 (bakeries)



Meat, seafood and other
food in unheated state sold
by weight or volume



Bakery items



Food sold that ordinarily
requires additional cooking
by the consumer prior to
consuming as opposed to
just reheating

Providing eating utensils means the seller's normal business practice is to physically give or have the eating utensils specifically accompany the food to the purchaser.

EATING UTENSILS INCLUDE BUT NOT LIMITED TO.....

Plates

Knives

Forks

Spoons

Glasses

Cups

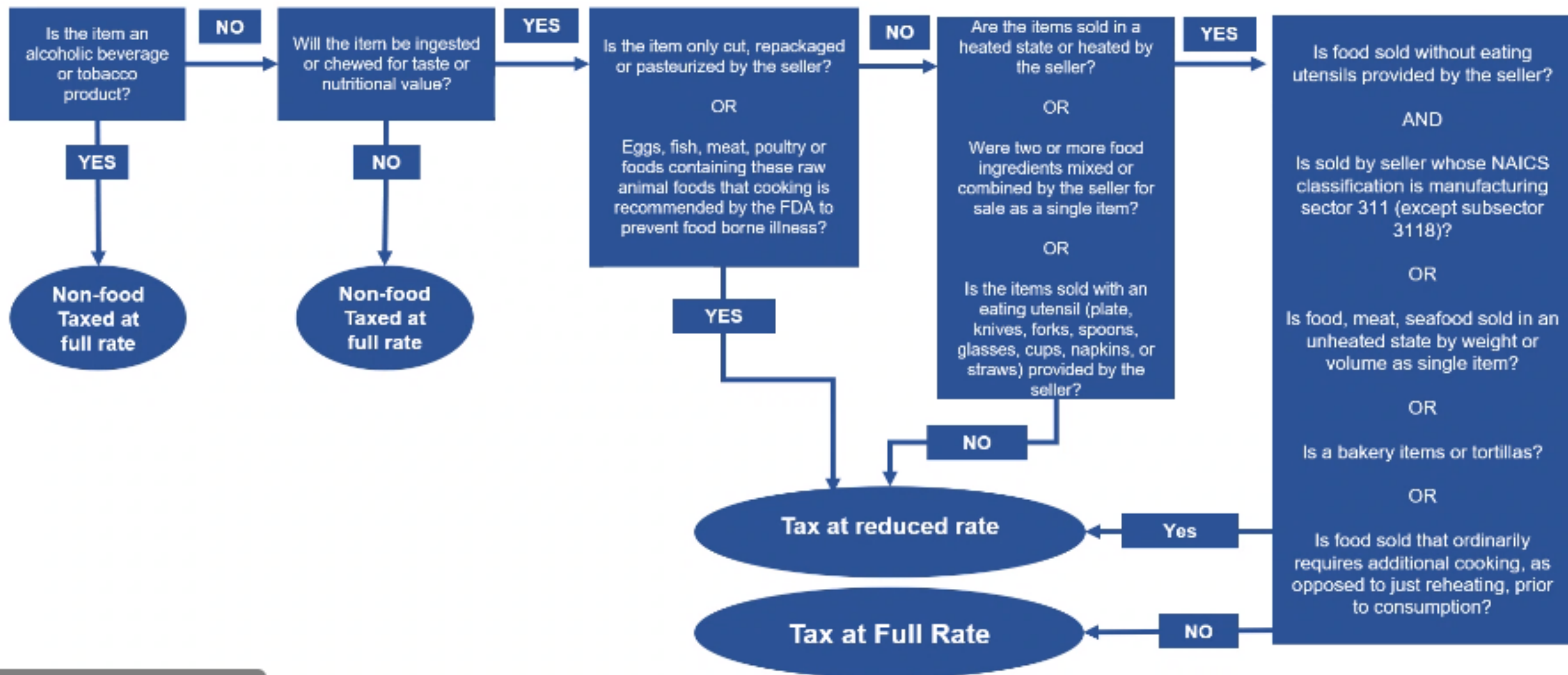
Napkins

Straws

Not a utensil if used to transport the food...

A plate does **NOT** include a container or packaging if used to transport the food

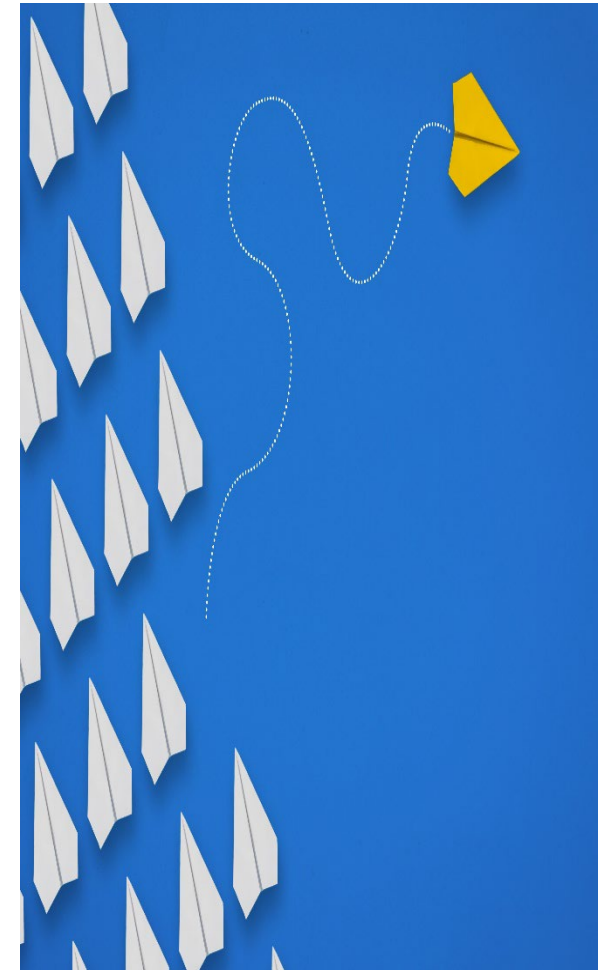
Is It Non-Food, Food and Food Ingredients, or Prepared Food?





Internet sales

- No sales tax if shipped outside of Kansas
- If shipped within Kansas borders, sales tax is due.
- Use the KDOR tax rate look up tool at www.ksrevenue.gov to find tax rate for shipping address.
- If your business purchases items from outside of Kansas for non-inventory use and don't pay sales tax equal to your jurisdiction tax rate, your business owes Consumers Compensating Use tax. (Display racks, shelves, computers, office supplies, tools, etc.)








What is Taxable?

- **“Sale”** means any transfer, exchange or barter in any manner or by any means whatsoever for a consideration and includes all sales made by any person, whether principal, proprietor, agent, servant or employee. *Subsection (z) of K.S.A. 41-102*
- **“Rental”** The **retail sale, rental, or lease of tangible personal property**, including the sale or furnishing of utilities within the state of Kansas is taxable. *Pub KS-1510 page 3.*
- **“Delivery Fees”** Charges to the customer for handling and delivery are taxable. The sales tax is due whether the charge is included in the sales price, stated separately, or billed separately. *Pub KS-1510 page 14.*
- **“Credit Card Fees”** – when the retailer increases the selling price of goods or services to compensate for credit-card charges the credit card company will later deduct from the payment it forwards to the retailer’s account, the increase is part of the selling price of the goods or services and subject to sales tax. *KAR 92-19-3a (e) (1).*



What is Destination based sourcing?



Under the destination-based sourcing rules, the rate of sales tax due on in-state sales will be the combined state and local sales tax rate in effect where the customer takes delivery/possession of the purchased item(s). These rules apply to Retailer's Sales Tax; Retailer's Compensating Use Tax; and Consumer's Compensating Use Tax.

Sales tax is collected by the seller from the buyer and remitted to KDOR by the seller.

1. The sales tax is sourced to the sellers' business location if the buyer receives the merchandise there.
2. If the merchandise is shipped or delivered to the buyer, "the seller will collect the combined sales tax rate in effect at the location where the purchaser receives the item(s)."
3. If merchandise is purchased by the buyer but shipped or delivered to a 3rd party location, the sales tax is sourced by the seller to the 3rd party location provided by the buyer.



Difference between Income tax and Sales tax

- **Income tax :**
 - a tax paid on the money that a person or business receives as income taxable income, which is the total income less allowable deductions
- **Sales tax :**
 - a tax that is added to the sale price of goods and services that is usually calculated as a percentage of the purchase price and collected by the seller. Seller to collect funds for the tax from the consumer at the point of possession.



How to file Kansas sales taxes

- Vendors registered with the state will file their sales tax online at ksrevenue.gov
- Unregistered vendors will be provided a return from the coordinator of the event. This should be utilized to remit sales tax collected at the special event provided these certain requirements are met;
 - a) May not participate in more than 4 events in any 12-month period
 - b) Must remit sales tax for each event attended within 30 days
 - c) Failure to remit sales tax may result in vendor being registered and assessed

Special Events Certificate

KANSAS DEPARTMENT OF REVENUE DIVISION OF TAXATION

RETAILERS' SALES TAX EVENT REGISTRATION CERTIFICATE



Olathe Farmers Market 2023

Event Tax Rate	9.4750%
Event Food Tax Rate	6.9750%

Event Certificate Only.
Not valid for tax-
exempt purchases.

Registration Certificate valid for this Event only.
Tax Account Number is assigned to the Event.
Sales Tax Return must be filed within 30 days of Event.

State of Kansas
www.ksrevenue.gov
ST-51 (Rev.11-22)



Special Events Tax Certificate instructions

- Display the Event Registration Certificate in a visible place at your location during the event.
- You must collect and remit sales tax at the rate shown on the event tax return.
- This return and tax account number are specific to the event that appears in the Event Name.
- You must file a return even if there were no taxable sales.
- Sales tax is due within 30 days of the event.

Special Events Retailers Sales Tax Return

Event Name: Olathe Farmers Market 2023

Jurisdiction Code Sales: OLAJO | **Code Food:** JOOLA

Event Tax Account Number: SENK09195861F01

Begin Date: 05/01/2023

End Date: 09/30/2023

Due Date: 10/30/2023

Event Tax Return (Complete only if you do not have a tax account number starting with 004 or 005)

		Total Sales	Tax Rate	Total Sales Tax Collected
Line 1	Gross Sales amount of Food and Food Ingredients (Minus amount paid via government voucher)	\$	<FoodTaxRate>	\$
Line 2	Gross Sales amount of Non-Food items	\$	<SalesTaxRate>	\$
Line 3	Multiply Gross sales by applicable tax rate and add line 1 & 2			\$



Special Events Sales Tax Return instructions



Dear Vendor, You are reported as a vendor for the above event. Below are instructions for reporting and paying Retailers' Sales and Retailers' Compensating Use tax.

Check this box if you are registered with a tax account number (starting with 004 or 005) to collect Kansas Retailers' Sales or Retailers' Compensating Use Tax.

Include any sales you made at the above event on your next tax return. Enter your Kansas tax account number below and return a copy of this letter in the envelope provided.

Kansas Retailers' Sales Tax Account Number: **004-** _____

Kansas Retailers' Consumers Compensating Use Tax Account Number: **005-** _____

Name: _____ Phone: _____

Email: _____



Special Events Sales Tax Payment Options

Check this box if you DO NOT have a tax account number (starting with 004 or 005).

Complete the Event Tax Return and payment information below.

Payment Information

Check one and complete the information below. **DO NOT SEND CASH.**

I have enclosed a check for the total tax due made out to Kansas Sales Tax. I authorize the Department of Revenue to process my check via Electronic Funds Transfer.

Printed Name: _____ Signature: _____

Card payments are available using Official Payments: www.officialpayments.com/pay-kansas-taxes.jsp

To process payment there will be a 2.5% fee added by the processing company this Official Payment option can be used as a guest user with no account setup required. The event tax number provided should be entered as the EIN#.

KS Taxpayer Account ID (15 characters) **004<Tax Account Number>F01**



Tax Amount Paid _____ **Confirmation Number:** _____

✓ Return this form with the information included on payment remittance.



Reporting sales tax in the price

- Kelly Pascarelli – Kelly’s Jellies
 - April – October: \$1,200
 - Tax rate: 8.95%
- Total collected – (total collected/1+sales tax rate)
 - \$1,200 – (\$1,200/1.0895)
 - \$1,200 – (\$1,101.42) ← Gross sales
 - \$98.58 – sales tax collected



How do I find the correct tax rate and jurisdiction code?

- Use the KDOR website: www.KSREVENUE.gov
- Click on Taxation
- Select Tax Rate Locator
 - **Lookup Tax Rate By:**
 - Address
 - Zip + 4
 - Use Zip+4 option for the most correct tax rate.
 - Print the screen for your records.
- Tax rate changes are effective the 1st of every quarter.
- Sign up for rate change email notifications.
- It is your responsibility to use the correct sales tax rate.

Kansas Sales and Use Tax Address Tax Rate Locator

This site provides information on local taxing jurisdictions and tax rates for all addresses in the state of Kansas. For best results, use complete and accurate address information when submitting your query. Choose one of the following options:

Lookup Tax Rate By:

- [Address](#)
- [Zip + 4](#)

Tax Databases:

- [Upload Retailer Databases](#) - Registered retailers can get the appropriate local sales tax rates applied to their customer database through this secure application.
- [Web Services](#) - Registered users can get direct access to the Department of Revenue's sales rate tables for customizing your system.

Registration, Specifications and Information

- [Register now](#)
- [Upload/Return File Format Information](#)
- [Web Services Description Language \(WSDL\)](#)

[Click here if you need assistance.](#)



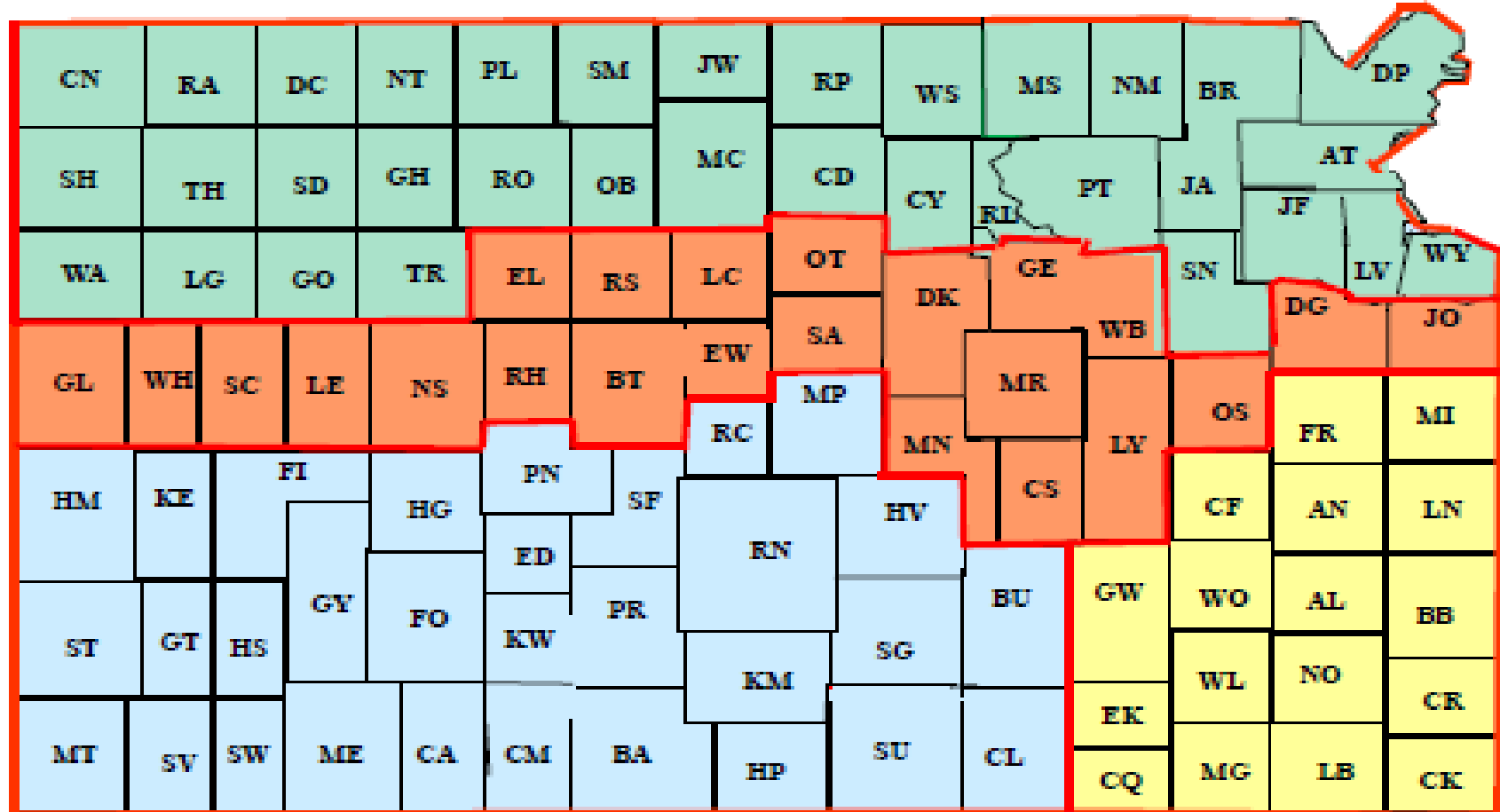
Coordinator Responsibilities

- At least 1 month before the event
 - Contact your KDOR Special Events Agent
 - Request packets by filling out a packet request form
 - and sending completed form to the agent for the area where the event is taking place.
- Two weeks before the event
 - Submit an initial vendors list for Tax Clearance research



SPECIAL EVENTS REGIONS
01/01/2021

Kansas Department of Revenue



MAC I
Metropolitan Assistance Center
7600 W. 119th St., Suite A
Overland Park, KS 66213
785-207-1572

MAC III
Metropolitan Assistance Center
7600 W. 119th St., Suite A
Overland Park, KS 66213
913-942-3063

MAC II
Metropolitan Assistance Center
7600 W. 119th St., Suite A
Overland Park, KS 66213
913-942-3082

WAC I
Wichita Assistance Center
1883 W 21st St. N
Wichita, KS 67203-2104
316-337-6152

kdor_special_events@ks.gov
Fax - 866-743-4812



Coordinator Responsibilities

- During the event
 - Provide each vendor with a Special Event Sales Tax Return and return envelope
 - Ask vendors to display the registration certificate either on the first page of the Return Form provided or the one provided to registered vendors.





Coordinator Responsibilities

- After the event
 - Provide an updated vendors list of all vendors who participated in the market during the season





Why a vendor list?

- Progressive collection efforts begin 45 days after the event ends
 - KDOR agents follow up with any vendors who have not remitted by the due date
 - Failure to remit sales tax could result in:
 - Tax clearance denial for other events
 - A compulsory sales tax registration and assessment for sales taxes
 - Potential legal actions
 - Tax warrant
 - Wage garnishment
 - Bank levies
 - Asset seizure



Vendor list example

First Name	Last Name	Business Name	Tax ID (if Applicable)	Street Address	City	State	Zip	Phone Number	Email Address
John	Smith	KDOR	K01234567	7600 W 119th St Suite A	Overland Park	KS	66213	9139423150	<u>Firstname.lastname@ks.gov</u>



Farm Winery sales at Farmers' Markets



- Sales can be made at any farmers' market EXCEPT for farmers' markets held on state-owned property
- Must obtain a \$25 annual permit to sell at farmers' markets
- Sell only domestic wine in the original, unopened container that was produced and bottled by the licensee
- Those selling the wine must be at least 21
- Remit and pay monthly Liquor Enforcement tax returns



Ways KDOR Can Help

- Answer tax questions
- Provide required forms
- Provide tax assistance
 - Filing
 - Remitting
 - Registering
- Work with
 - Event coordinators
 - Vendors
 - Local authorities
- Effect sales tax compliance



Questions?



THANK YOU!

- KDOR Website: www.ksrevenue.gov
 - KDOR Special Events email: KDOR_Special.Events@ks.gov
 - Special Events Area Map
<https://www.ksrevenue.gov/pdf/specialEventsMap.pdf>
 - Vendor Packet Request <https://www.ksrevenue.org/pdf/CTE-51.pdf>
 - Farm Winery Sales www.ksrevenue.org/abcfarmwine.html
 - Taxpayers Assistance phone number: **785-368-8222**
 - Tax Rate Locator <https://www.ksrevenue.gov/atrl.html>
 - E-file Assistance: **785-296-6993** or KDOR_Eservices@ks.gov
 - Sales & Use Tax Jurisdiction Codes
 - <https://www.ksrevenue.gov/pdf/pub17000123.xlsx>
- 



Contact Information

Lisa Leikam-Jones

Special Events
Public Service Admin
Southeastern Kansas

913.942.3065 – Office
785.207.1572 – Cell

7600 W 119th St, Suite A
Overland Park, KS 66213
Lisa.LeikamJones@ks.gov